

A nonprofit organization formed to represent the public interest at legislative and administrative hearings on tax matters qualifies for exemption under section 501(c)(4) of the Code; contributions to the organization are not deductible.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954.

The organization was formed to promote the common good and welfare of the general public through the presentation, at legislative and administrative hearings on tax matters, of views directed at the improvement of the tax system. It selects individuals who the organization believes qualified to represent the interests of the general public in matters of tax policy. Such individuals include members of the tax bar, public finance economists, teachers of accounting and tax law, and other tax specialists. The organization alerts them as soon as tax issues arise in their fields of expertise, and aids them in preparing and publicizing their testimony. It receives contributions from the general public which are used to cover the cost of transporting witnesses, reproducing witness statements, publicizing recommendations on proposed tax changes, and the payment of salaries and other office expense.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

Section 1.501(c)(4)-1(a)(2)(ii) of the regulations states that a social welfare organization may qualify under section 501(c)(4) even though it is an "action" organization described in 1.501(c)(3)-1(c)(3)(iv) if it otherwise qualifies under the section.

Section 1.501(c)(3)-1(c)(3)(iv) of the regulations provides that an organization is an "action" organization if it has the following two characteristics: (a) its main or primary objective or objectives (as distinguished from its incidental or secondary objective) may be attained only by legislation or a defeat of proposed legislation; and (b) it advocates, or campaigns for, the attainment of such main or primary objective or objectives as distinguished from engaging in nonpartisan analysis, study, or research and making the results thereof available to the public.

Through presentations by qualified witnesses on pending or proposed tax legislation, the organization is promoting the common good and general welfare of the community by assisting legislators and administrators concerned with tax policy. Such activity helps the legislators and administrators form better judgments about the legislation.

The fact that the organization's only activities may involve advocating changes in law does not preclude the organization from qualifying under section 501(c)(4) of the Code. See regulations cited above.

Accordingly, it is held that the organization qualifies for exemption from Federal income tax as a social welfare organization under section 501(c)(4) of the Code. Contributions to it are not deductible by donors under the provisions of section 170(c)(2) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(4) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.